

Message Text

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TAGS: ICEM

SUBJ: ICEM SUB-COMMITTEE ON BUDGET AND FINANCE (SCBF)

1. SUMMARY: THE SCBF HELD A SPECIAL SESSION (35TH) AT THE REQUEST OF THE COUNCIL TO CONSIDER PROPOSALS FOR FINANCING THE ICEM BUDGET IN FUTURE YEARS. THE COUNCIL AT ITS 1976 FALL SESSION CONSIDERED THE PROJECTED BUDGET DEFICITS SERIOUS ENOUGH TO WARRANT A SPECIAL SESSION AND URGED MEMBER GOVERNMENTS TO SUBMIT SUGGESTIONS FOR REVIEW. THE UNITED STATES AND THE FEDERAL REPUBLIC OF GERMANY WERE THE ONLY ONES RESPONDING, SO THEIR PROPOSALS OCCUPIED MUCH OF THE DISCUSSION. FOR ALL PRACTICAL PURPOSES ALL U.S. PROPOSALS WERE ACCEPTED, AND THE FRG PROPOSAL WILL BE STUDIED. TO SET A FRAMEWORK, THE SCBF EXAMINED CLOSELY THE 1977 ICEM BUDGET. END SUMMARY.

2. THE SCBF (BELGIUM, BRAZIL, FRG, NETHERLANDS AND THE US) MET FOR THREE DAYS IN GENEVA, ESSENTIALLY TO DETERMINE WHAT ADJUSTMENTS COULD OR WOULD HAVE TO BE MADE TO AVOID A FINANCIAL CRISIS RESULTING FROM AN ANNUAL STRUCTURAL BUDGET DEFICIT OF APPROXIMATELY DOLS 1.2 MILLION. TO PLACE THIS GENERAL REVIEW IN THE CONTEXT OF THE DIFFICULTIES THAT MIGHT BE INHERITED IN FUTURE
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YEARS, THE SCBF LOOKED VERY CAREFULLY AT 1977 FINANCES WITH THE OBJECTIVE IN MIND OF REACHING CONCLUSIONS ON THE SIZE OF THE ACTUAL BUDGET DEFICIT IN 1977. THIS WAS ACCOMPLISHED TO THE SATISFACTION OF THE SUB-COMMITTEE.

3. IN THE FALL OF 1976, ICEM PREDICTED A DEFICIT OF

DOLS 1.1 MILLION FOR 1977. BY APRIL 1, 1977, THIS HAD BEEN REDUCED TO DOLS 650,000, MAINLY DUE TO A CHANGE IN THE PATTERN OF MOVEMENTS. AN ADDITIONAL DOLS 125,000 IS TO BE SAVED THROUGH ECONOMIES IN STAFF AND SERVICES IN EUROPE. ADDITIONAL AMOUNTS MIGHT BE SAVED ON PROJECTS IN PORTUGAL AND VENEZUELA FOR WHICH COSTS WERE OVER-ESTIMATED. THERE ARE A NUMBER OF OTHER ITEMS WHICH COULD ALSO HELP TO IMPROVE THE SITUATION. THE DIRECTOR FELT THAT BY THE END OF THIS YEAR THE SHORTFALL WOULD BE CLOSER TO DOLS 200,000 - DOLS 300,000. THE SCBF CONSIDERED THAT THE DEFICIT ON APRIL 1 WAS CLOSER TO DOLS 400,000 AND THAT THERE WOULD BE A MANAGEABLE SHORTFALL AT THE END OF THE YEAR.

4. WITH REGARD TO THE FUTURE, THE SCBF DEVOTED A FULL DAY TO THE U.S. PROPOSALS AND AGREED TO RECOMMEND ALL OF THEM TO THE EXECUTIVE COMMITTEE FOR DISCUSSION IN MAY. THESE ACCOMMODATIONS INCLUDED THE TRANSFER OF THE ITEM MISCELLANEOUS INCOME FROM THE ADMINISTRATIVE BUDGET TO THE OPERATIONAL BUDGET, AN IMPROVEMENT IN THE LATTER OF APPROXIMATELY DOLS 300,000. THE SCBF ALSO RECOMMENDED A TARGET OF DOLS 500,000 FOR FURTHER ECONOMIES, GIVING A CREDIT AGAINST THIS OF DOLS 125,000 FOR THOSE ALREADY APPLIED. THE DIRECTOR WAS ADVISED THAT THERE WERE PARTICULAR AREAS SUSCEPTIBLE TO ECONOMIES SUCH AS STAFF REDUCTIONS AND STREAMLINING PROJECTS AND SERVICES. ICEM WAS ALSO ADVISED TO DISCUSS OTHER MEASURES AIMED AT SAVINGS WITH THE EUROPEAN MEMBERS. SERVICES TO NON-MEMBERS WOULD BE PROVIDED ON THE GUIDELINES DEVELOPED

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FOR SPECIAL PROGRAM. OVERDUE CONTRIBUTIONS IN THE AMOUNT OF DOLS 275,000 ARE TO BE COLLECTED. DISCUSSIONS ARE TO BE HELD WITH OBSERVERS TO STIMULATE FINANCIAL SUPPORT. TAX EQUALIZATION IS TO BE EXPLORED. NEW PROJECTS MUST HAVE REASONABLE ASSURANCE OF FULL FINANCING, AND THE DIRECTOR WAS ADVISED TO AIM FOR A BALANCED BUDGET IN THE FUTURE.

5. THE FRG SUGGESTED THAT ICEM EXPLORE A SYSTEM OF BILATERAL ARRANGEMENTS WITH MEMBERS ALONG THE LINES OF THE NEGOTIATED WITH THAT GOVERNMENT IN 1962. THIS SYSTEM ASSURES A FIXED INCOME AT A PREDETERMINED LEVEL. HOWEVER, IT LACKS FLEXIBILITY IN THAT CONTRIBUTIONS TO THE OPERATIONAL BUDGET DO NOT INCREASE FROM YEAR TO YEAR. ICEM WILL PREPARE A PAPER ON THIS FOR CONSIDERATION IN MAY.

6. THE THREE PROPOSALS SUBMITTED BY THE DIRECTOR, MODEL SCHEDULES OR A CONTINGENCY FUND, WERE ONLY

BRIEFLY DISCUSSED. THE SCBF MADE IT CLEAR ONCE AND FOR ALL THAT THESE PROPOSALS WOULD NOT RECEIVE THE SUPPORT OF THE MEMBERS. THIS SHOULD BE AN END TO THAT CHAPTER.

7. COMMENT: FROM THE U.S. POINT OF VIEW, MORE WAS ACHIEVED THAN HAD BEEN EXPECTED. IF THE RECOMMENDATIONS OF THE SCBF ARE ADOPTED BY THE COUNCIL, THEN THE BUDGET PICTURE WILL BE GREATLY IMPROVED. THIS RATHER CLOSE ANALYSIS OF THE FINANCIAL SITUATION INDICATED THAT THE CHRONIC DEFICIT IS NOT AS BAD AS SUGGESTED, BUT WAS USED TO DEFEND A CONTINGENCY RESERVE. THE PLOY DID NOT WORK. END COMMENT.SOREENSON

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